

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | | |
|---|--------------|-----------------|--------------------------------------|--------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name | | County |
| Fiscal Year End | Opinion Date | | Date Audit Report Submitted to State | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | | |
|--|--------------------------|--|----------------|-----|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | | |
| Financial Statements | <input type="checkbox"/> | | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | | | |
| Other (Describe) | <input type="checkbox"/> | | | |
| Certified Public Accountant (Firm Name) | | Telephone Number | | |
| Street Address | | City | State | Zip |
| Authorizing CPA Signature | Printed Name | | License Number | |

NORTHFIELD TOWNSHIP AREA LIBRARY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

NORTHFIELD TOWNSHIP AREA LIBRARY

LIBRARY DIRECTOR

Ronald Loyd

LIBRARY BOARD

Lisa Lembke
Meg Minnich
Sandy Purrington
Jack Hinkley
Karen Neigebauer
Carol Smith

LIBRARY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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October 17, 2007

Library Board
Northfield Township Area Library
125 Barker Road
Whitmore Lake, Michigan 48189

INDEPENDENT AUDITORS' REPORT

Honorable Library Board:

We have audited the accompanying financial statements of the Northfield Township Area Library as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Library Board. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northfield Township Area Library, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year end in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other Required Supplementary Information on pages 6 through 9 and page 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northfield Township Area Library's basic financial statements. The supplementary information presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis June 30, 2007

Within this section of the Northfield Township Area Library's annual financial report, the Library's management is providing a narrative discussion and analysis of the financial activities of the Library for the fiscal year ended June 30, 2007. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Library's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Library's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Library also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The Library's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Library's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the government-wide statement of position presenting information that includes all the Library's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library as a whole is improving or deteriorating. Evaluation of the overall health of the Library may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Library's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Library's distinct activities or functions on the revenues generated by the Library.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Library uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The Library only has one fund, governmental fund. Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Financial Analysis of the Library as a Whole

The Library's net assets at the end of the fiscal year were \$1,221,501. This is a \$131,641 increase over last year's net assets of \$1,089,860. This is consistent with the Library's financial statements results over the last several years.

The following tables provide a summary of the Library's financial activities and changes in net assets:

Summary of Net Assets

| | Governmental Activities | |
|---|-------------------------|---------------|
| | June 30, 2007 | June 30, 2006 |
| Current and other assets | \$ 1,017,755 | \$ 909,366 |
| Capital assets | 306,663 | 282,669 |
| Total assets | 1,324,418 | 1,192,035 |
| Accounts payable | 38,632 | 34,676 |
| Notes/land contract payables | 64,285 | 67,499 |
| Total liabilities | 102,917 | 102,175 |
| Net assets: | | |
| Invested in capital assets, net of related debt | 242,378 | 215,170 |
| Unrestricted | 979,123 | 874,690 |
| Total net assets | \$ 1,221,501 | \$ 1,089,860 |

Summary of Changes in Net Assets

| | Governmental Activities | |
|------------------------------------|-------------------------|---------------|
| | June 30, 2007 | June 30, 2006 |
| Revenues: | | |
| Program revenues | | |
| Operating grants and contributions | \$ 1,799 | \$ 6,265 |
| General revenues | | |
| Property taxes | 437,270 | 420,751 |
| Other income | 141,035 | 136,425 |
| Total revenues | 580,104 | 563,441 |
| Total expenses | 448,463 | 421,848 |
| Changes in net assets | 131,641 | 141,593 |
| Beginning net assets | 1,089,860 | 948,267 |
| Ending net assets | \$ 1,221,501 | \$ 1,089,860 |

Financial Analysis of the Library's Funds

On the modified accrual basis the General Fund's fund balance increased by \$104,325 for the year ended June 30, 2007. This is somewhat lower than the increase in the prior year of \$148,447, due primarily to increased capital expenditures and building repairs. The Library's main source of revenue is primarily property taxes, and its main expenditures are generally for basic operations.

General Fund Budgetary Highlights

The Library adopted its budget prior to the beginning of the fiscal year ended June 30, 2007. During the year the budget was amended to reflect changes in estimated revenues and expenditures during the fiscal year.

The amendments made during the year were generally minor, and were intended to bring the budget closer to economic reality. The Library's total expenditures were slightly over budget primarily due to unbudgeted capital expenditures made on the building. A small number of functional activities also finished over budget. However, the fund balance increase at year end was higher than that budgeted due to higher than expected revenue received during the year.

Capital Asset and Debt Administration

The Library made \$40,400 of capital acquisitions to improve library shelving, and to make upgrades to the building's foundation. Depreciation expense allocated to governmental activities totaled \$16,406.

At the end of the Fiscal year, the Library owed the Township \$64,285 on a loan it had received several years earlier. Each year, the Library pays \$3,214 to retire the debt. This year, as in prior years, the Library made its annual payment leaving, 19 years of payments remaining. The annual payment is principal only; the Library pays no interest on this loan.

Economic Conditions and Future Activities

Despite the volatile nature of the economy in the area, the Library anticipates that its revenues will remain relatively steady in the near term.

Contracting the Authority's Financial Management

This report is designed to provide a general overview of the Library's financial position and to comply with finance-related regulations. If you have any further questions about this report or require additional information, please contact the Northfield Area Library, 125 Barker Road, Whitmore Lake, Michigan 48189.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT - WIDE
FINANCIAL STATEMENTS

NORTHFIELD TOWNSHIP AREA LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

CURRENT ASSETS

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 937,722 |
| Accounts receivable | 315 |
| Taxes receivable | 4,798 |
| Prepaid expenses | 10,500 |
| Due from Township | 29,855 |
| Due from others | <u>34,565</u> |

Total current assets \$ 1,017,755

CAPITAL ASSETS

| | |
|-------------------------------|------------------|
| Land | 35,200 |
| Buidling and improvements | 420,699 |
| Equipment | <u>23,482</u> |
| | 479,381 |
| Less accumulated depreciation | <u>(172,718)</u> |

Total capital assets - net of depreciation 306,663

Total assets 1,324,418

LIABILITIES

LIABILITIES

| | |
|------------------------------|---------------|
| Accounts payable | 6,390 |
| Accrued wages | 8,009 |
| Accrued compenstaed absences | 24,233 |
| Contract payable | |
| Current portion | 3,214 |
| Non-current portion | <u>61,071</u> |

Total liabilities 102,917

NET ASSETS

NET ASSETS

| | |
|---|----------------|
| Investment in capital assets, net of related debt | 242,378 |
| Unrestricted | <u>979,123</u> |

Total net assets \$ 1,221,501

See accompanying notes to the basic financial statements

NORTHFIELD TOWNSHIP AREA LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | <u>Net (Expense)</u> |
|-----------------------------------|-------------------------|--------------------------------|--|
| | <u>Expenses</u> | <u>Operating Contributions</u> | <u>Revenue and Changes in Net Assets</u> |
| Governmental Activities | | | <u>Governmental Activities</u> |
| Library | <u>\$ (448,463)</u> | <u>\$ 1,799</u> | <u>\$ (446,664)</u> |
| General revenues | | | |
| Taxes, levied for general purpose | | | 437,270 |
| Penal fines | | | 92,541 |
| State aid | | | 7,553 |
| Interest income | | | 38,763 |
| Other income | | | <u>2,178</u> |
| Total general revenues | | | <u>578,305</u> |
| Change in net assets | | | 131,641 |
| Net assets at beginning of year | | | <u>1,089,860</u> |
| Net assets at end of year | | | <u><u>\$ 1,221,501</u></u> |

See accompanying notes to the basic financial statements.

FUND
FINANCIAL
STATEMENTS

NORTHFIELD TOWNSHIP AREA LIBRARY
BALANCE SHEET
JUNE 30, 2007

ASSETS

CURRENT ASSETS

| | |
|---------------------|---------------|
| Cash | \$ 937,722 |
| Taxes receivable | 4,798 |
| Accounts receivable | 315 |
| Prepaid expenses | 10,500 |
| Due from Township | 29,855 |
| Due from others | <u>34,565</u> |

| | | |
|----------------------|--|---------------------|
| Total current assets | | \$ <u>1,017,755</u> |
|----------------------|--|---------------------|

LIABILITIES AND FUND BALANCE

LIABILITIES

| | |
|------------------|--------------|
| Accounts payable | \$ 6,390 |
| Accrued wages | <u>8,009</u> |

| | | |
|-------------------|--|-----------|
| Total liabilities | | \$ 14,399 |
|-------------------|--|-----------|

FUND BALANCE

| | | |
|--------------|--|------------------|
| Fund balance | | |
| Undesignated | | <u>1,003,356</u> |

| | | |
|------------------------------------|--|---------------------|
| Total liabilities and fund balance | | \$ <u>1,017,755</u> |
|------------------------------------|--|---------------------|

See accompanying notes to the basic financial statements.

NORTHFIELD TOWNSHIP AREA LIBRARY
RECONCILIATION OF STATEMENT OF NET ASSETS OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
JUNE 30, 2007

Amounts reported for governmental activities in the Statement of Net Assets are different because:

| | | |
|--|------------------|----------------------------|
| Total fund balance per balance sheet | | \$ 1,003,356 |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | | |
| Historical cost | \$ 479,381 | |
| Depreciation | <u>(172,718)</u> | |
| Net book value | | 306,663 |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include: | | |
| Contracts payable | (64,285) | |
| Accrued compensated absences | <u>(24,233)</u> | |
| Total | | <u>(88,518)</u> |
| Net assets of governmental activities | | <u><u>\$ 1,221,501</u></u> |

See accompanying notes to the basic financial statements.

NORTHFIELD TOWNSHIP AREA LIBRARY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR JUNE 30, 2007

| | |
|-----------------------------|--------------|
| REVENUES | |
| Property taxes | \$ 437,270 |
| Penal fines | 92,541 |
| Grant income | 1,799 |
| State library aid | 7,553 |
| Interest income | 38,763 |
| Miscellaneous revenue | 1,643 |
| Donations | 535 |
| | <hr/> |
| Total revenues | 580,104 |
| EXPENDITURES | |
| | <hr/> |
| Net change in fund balance | 104,325 |
| FUND BALANCE, JULY 1, 2006 | 899,031 |
| | <hr/> |
| FUND BALANCE, JUNE 30, 2007 | \$ 1,003,356 |
| | <hr/> <hr/> |

See accompanying notes to the basic financial statements.

NORTHFIELD TOWNSHIP AREA LIBRARY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Amounts reported for governmental activities in the Statement of Activities are different because:

| | | |
|--|----|---------|
| Net change in fund balances - governmental funds | \$ | 104,325 |
|--|----|---------|

Accrued absences for vacation and sick time for the employees is recorded on the Statement of Net Assets.

| | | | |
|----------------------------------|----|----------|-----|
| Accrued balance at June 30, 2007 | \$ | (24,233) | |
| Accrued balance at July1, 2006 | | 24,341 | |
| | | | 108 |
| Total | | | |

Governmental funds report capital outlay as expenditures. in the Statement of Activities the cost of those assets are allocated over their useful lives as depreciation expense. The amount by

which depreciation exceeded capital outlay is as follows:

| | | |
|----------------|----------|--------|
| Depreciation | (16,406) | |
| Capital outlay | 40,400 | |
| Total | | 23,994 |

Repayment of contracts payable is an expenditure in the governmental funds, abut the repayment reduces long-term liabilities in the State of Net Assets.

| | | |
|-------------------------------|--|-------|
| Repayment of contacts payable | | 3,214 |
|-------------------------------|--|-------|

| | | |
|---|----|---------|
| Change in net assets of governmental activities | \$ | 131,641 |
|---|----|---------|

See accompanying notes to the basic financial statements

NOTES
TO
FINANCIAL
STATEMENTS

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Governmental Fund

General Fund - The library accounts for the proceeds of specific revenue sources (special tax millage) through a general fund. It also accounts for the general operations of the library through the general fund.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 39 "The Financial Reporting Entity", these financial statements present all activities of the Library. There are no component units of the Library using the criteria established by the GASB for determining the reporting entity.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of net Assets and Statement of Activities) report on the Library as a whole. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Library as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Net Assets reports all financial and capital resources of the Library. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Library are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, included as part of the basic financial statements are fund financial statements for governmental funds even though the latter are excluded from the government-wide financial statements.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

1. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
3. Disbursement for the purchase of capital assets providing future benefits are considered expenditures. Any bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Library's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

E. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America is formally adopted for the General Fund. The budget can be amended by approval from the Library's Board. If necessary, budget amendments can be presented to the Board at the regular meetings. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at the fiscal year end. Actual expenditures exceeded budgeted expenditures for the year ending June 30, 2007.

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

G. PROPERTY TAXES

Property tax revenues are recognized in the fiscal year for which the taxes are levied. These taxes are due on February 14, with the final collection date of February 28. The delinquent real property taxes of the Northfield Township Area Library are purchased by Washtenaw County. The county sold tax notes, the proceeds of which were used to pay the library for these property taxes. The 2006 adjusted taxable value of the Library totaled \$335,968,740. The Library levied 1.2915 mills in 2006 for general operating purposes.

H. RISK MANAGEMENT

The Library is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage.

I. ACCRUED COMPENSATED ABSENCES

The Library has recorded a liability for compensated absences of its full-time employees in the government-wide financial statements only. The policies regarding compensated absences are outlined in the Library's "Rules of Employment".

| | |
|---|-------------------------|
| Accrued compensated absences, July 1, 2006 | \$ 24,341 |
| Net (decrease) | <u>(108)</u> |
| Accrued compensated absences, June 30, 2007 | <u><u>\$ 24,233</u></u> |

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

| | Balance 07/01/06 | Additions | Deletions | Balance 06/30/07 |
|--|---------------------|------------------|-----------|---------------------|
| Library - Land and building | \$ 415,499 | \$ 40,400 | \$ | \$ 455,899 |
| Equipment | 23,482 | | | 23,482 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total capital assets | 438,981 | 40,400 | | 479,381 |
| Accumulated depreciation | (156,312) | (16,406) | | (172,718) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Governmental activities capital assets, net | <u>\$ 282,669</u> | <u>\$ 23,994</u> | <u>\$</u> | <u>\$ 306,663</u> |

Depreciation expense is being recorded solely for library services. The Library utilizes the straight line method to depreciate capital assets over their estimated useful lives.

| | |
|---|-------------------|
| Net book value at June 30, 2007 | \$ 306,663 |
| Contract payable - building | <u>(64,285)</u> |
| Investment in capital assets, net of related debt | <u>\$ 242,378</u> |

NOTE 3 - LEASE AGREEMENTS - (CONTRACT PAYABLE)

Northfield Township - Land Contract - Northfield Township has agreed to not charge the library interest for the outstanding loan of \$64,285. The agreed upon payment schedule is as follows:

| | |
|---|------------------|
| February 22, 2008 | \$ 3,214 |
| February 22, 2008 and for 19 years thereafter (\$3,214 annual payment) | <u>61,071</u> |
| Total payments | <u>\$ 64,285</u> |

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 4 - PENSION PLAN - DEFINED CONTRIBUTION PLAN

The Library participates with Northfield Township's defined contribution plan. No separate information could be identified related to library personnel participating in the plan. The defined contribution plan of Northfield Township is a fully insured plan funded by both employer (2/3) and employee (1/3) contributions. An employee may make voluntary contributions of up to 10% of his/her annual compensation. All participants are vested 100% immediately.

A participant includes all full-time employees as of the beginning of the anniversary date or June 1st of each year. The annual contributions are based on the following formula:

Employer contributes 10% of wages
Employee contributes 5% of wages

Annual contribution
to pension plan 15% of wages

The plan name is "Group Pension Plan" #GN 53402 through John Hancock Financial. A summary of the plan's activity for the period July 1, 2006 to June 30, 2007, is as follows:

| | | |
|---|---------------|----------------------------|
| Balance in guaranteed account June 1, 2006 | | \$ 2,356,720 |
| Current year contributions | | |
| Township portion | \$ 95,143 | |
| Employee portion | <u>58,747</u> | |
| Total contributions | | 153,890 |
| Distributions/fees | | (460,746) |
| Investment gains less asset charges | | <u>334,873</u> |
| Balance in guaranteed account June 30, 2007 | | <u><u>\$ 2,384,737</u></u> |

Interest has been credited to June 30, 2007.

A contribution of \$15,302 was made by the Library in the fiscal year ended June 30, 2007.

Total Library payroll was \$200,547, for the fiscal year ended June 30, 2007.

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Library deposits are in accordance with statutory authority. The Library maintains an imprest petty cash balance of \$500.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's deposits are as follows:

| <u>Deposits</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--------------------------------|----------------------------|--------------------------|
| Insured | \$ 100,000 | \$ 100,000 |
| Uninsured and uncollateralized | <u>837,222</u> | <u>848,926</u> |
| | <u><u>\$ 937,222</u></u> | <u><u>\$ 948,926</u></u> |

REQUIRED
SUPPLEMENTARY
INFORMATION

NORTHFIELD TOWNSHIP AREA LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

| | <u>BUDGETS</u> | | | Variance with Final Budget Favorable (Unfavorable) |
|--------------------------------|-------------------|-------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Taxes | \$ 429,125 | \$ 429,125 | \$ 437,270 | \$ 8,145 |
| Penal fines | 74,400 | 75,250 | 92,541 | 17,291 |
| Grant income | | 1,800 | 1,799 | (1) |
| Interest | 18,000 | 41,000 | 38,763 | (2,237) |
| Other income | 1,050 | 1,510 | 1,643 | 133 |
| State library aid | 4,500 | 7,500 | 7,553 | 53 |
| Contributions | <u>600</u> | <u>600</u> | <u>535</u> | <u>(65)</u> |
| Total revenues | 527,675 | 556,785 | 580,104 | 23,319 |
| EXPENDITURES | <u>447,528</u> | <u>472,078</u> | <u>475,779</u> | <u>(3,701)</u> |
| Net change in fund balance | 80,147 | 84,707 | 104,325 | 19,618 |
| FUND BALANCE, JULY 1, 2006 | <u>899,031</u> | <u>899,031</u> | <u>899,031</u> | |
| FUND BALANCE, JUNE 30, 2007 | <u>\$ 979,178</u> | <u>\$ 983,738</u> | <u>\$ 1,003,356</u> | <u>\$ 19,618</u> |

SUPPLEMENTARY
INFORMATION

NORTHFIELD TOWNSHIP AREA LIBRARY
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

| | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|-----------------------------|-----------------------------|---|
| EXPENDITURES | | | |
| Salaries | \$ | \$ 200,547 | \$ |
| Payroll taxes | | 15,346 | |
| Pension | | 15,302 | |
| Health/life insurance | | 50,126 | |
| Books | | 32,521 | |
| Capital outlay - furniture and equipment | | 2,554 | |
| Capital outlay - automation | | 8,786 | |
| Capital outlay - improvements | | 42,200 | |
| Insurance and bonds - general liability | | 7,877 | |
| Loan - principal | | 3,214 | |
| Miscellaneous | | 3,499 | |
| Office equipment rental | | 2,062 | |
| Office supplies | | 24,507 | |
| Operating services | | 14,317 | |
| Postage | | 4,107 | |
| Printing and publications | | 3,936 | |
| Downtown Development Authority | | 3,933 | |
| Professional services | | 2,544 | |
| Repairs and maintenance | | 20,181 | |
| State aid | | 3,813 | |
| Telephone | | 6,104 | |
| Training | | 2,467 | |
| Utilities | | 5,836 | |
| | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | <u>\$ 472,078</u> | <u>\$ 475,779</u> | <u>\$ (3,701)</u> |

NORTHFIELD TOWNSHIP AREA LIBRARY

COMMUNICATION
TO
LIBRARY BOARD

FOR THE YEAR ENDED JUNE 30, 2007



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
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MACPA

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(810) 229-5550
FAX (810) 229-5578

October 17, 2007

Library Board
Northfield Township Area Library
125 Barker
Whitmore Lake, Michigan 48189

Honorable Library Board:

In planning and performing our audit of the financial statements of Northfield Township for the year ended June 30, 2007, we came across a number of items which we are bringing to your attention for discussion. Those items are as follows:

CASH RECEIPTS

As in previous years we noted that there is a lack of segregation of duties in the cash receipts system. The Library should consider the benefits of segregating duties and implement a cash register.

CASH DISBURSEMENTS

During our audit, we noted that several payments from the Library to various vendors lacked substantiation detail. The State of Michigan Accounting Procedures Manual states "...appropriate documentation (supporting invoices) must be attached to check copies for all disbursements" (page 23). Although it is sometimes inconvenient, Library officials must attach invoices or vouchers to checks as evidence that the proper vendor and correct amount is being paid.

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northfield Township Library as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Northfield Township Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northfield Township Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we do consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We consider the following to be a material weakness of the Library:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principals. It should be noted that a number of these journal entries were related to transactions that were unusual and infrequent in nature. The entries also include those required for the full-accrual presentation of the government-wide statements.

This letter does not affect our report dated October 17, 2007, on the financial statements of Northfield Township Area Library.

This letter is intended solely for the information and use of the Library Board, and management of the Northfield Township Area Library and is not intended and should not be used by any other party.

We would like to thank the Township staff and management for the cooperation and assistance provided during the audit. If you should have any questions, comments or concerns please let us know.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants